

Message Text

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ORIGIN SPC-03

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DRAFTED BY S/PC:JWILHELM:EMB

APPROVED BY S/PC:WLORD

S/PC - MR. LORD

ADMINISTRATOR/AID - MR. PARKER

AID/PPC - MR. BIRNBAUM

S/S-O: P.SARROS

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FM SECSTATE WASHDC

TO AMEMBASSY LISBON IMMEDIATE

C O N F I D E N T I A L STATE 246134

TOSEC 277

E.O. 11652: GDS

TAGS: EAID

SUBJECT: FY 75 FOREIGN ECONOMIC ASSISTANCE BUDGET MARK

DELIVER OPENING OF BUSINESS

FOR THE SECRETARY FROM THE ACTING SECRETARY

1. WE HAVE RECEIVED THE OMB BUDGET MARK ON THE FY 1975 FOREIGN ECONOMIC ASSISTANCE BUDGET REQUEST. THAT OMB BUDGET MARK OF \$2,256 MILLION REFLECTS A CUT OF \$251 MILLION FROM THE AID REQUESTED LEVEL OF \$2,507 MILLION. THIS OVERALL REDUCTION OF 10 PERCENT WAS MADE DESPITE YOUR ARGUMENTATION IN TWO LETTERS TO OMB DIRECTOR ASH SUPPORTING THE AID REQUESTED LEVEL.

2. SPECIFICALLY, YOU STATED THAT; 1) "...THE BUDGET REQUEST TO CONGRESS IS AN IMPORTANT POLITICAL SIGNAL REGARDING U.S. ATTITUDES AND INTENTIONS TOWARD THE LESS DEVELOPED COUNTRIES..." 2) "... IT IS ESSENTIAL THAT OUR BUDGET PROPOSALS BE ADEQUATE TO MEET CERTAIN NEW OR IN-
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CREASED HIGH PRIORITY REQUIREMENTS..." AND 3) "... THAT THE U.S. ARREST THE DOWNWARD TREND IN OUR BILATERAL

ASSISTANCE... ."

3. IT IS MY VIEW THAT THE OMB BUDGET MARK IS INADEQUATE AND THAT A RECLAMA SHOULD BE MADE. SPECIFICS OF OUR DIFFERENCES ARE AS FOLLOWS:

A. INDOCHINA RECONSTRUCTION: OMB HAS GRANTED A BUDGET MARK OF \$793.3 MILLION. THIS IS AN INCREASE REPEAT INCREASE OF \$70 MILLION ABOVE THE AID REQUEST. WE AGREE ON THE NEED FOR POSITIVE SUPPORT IN THIS AREA BUT DISAGREE WITH THE TACTICS. WE BELIEVE THAT SUCH AN INCREASE WOULD ELICIT A NEGATIVE RESPONSE FROM THE HILL WHICH COULD RESULT IN A LOWER FINAL APPROPRIATION THAN WOULD THE AID REQUEST. AID ADMINISTRATOR PARKER HAS ASSURED ME THAT SHOULD SUCH ADDITIONAL FUNDS BE NECESSARY THEY WILL BE MADE AVAILABLE FROM DEVELOPMENT LOAN FUNDS. WE BELIEVE THAT THE VIETNAMESE WOULD UNDERSTAND OUR VERBAL ASSURANCES OF THIS BUDGETARY TECHNIQUE. THEREFORE, I BELIEVE WE SHOULD STAY WITH THE ORIGINAL AID REQUEST OF \$723 MILLION. THIS HOWEVER MAKES IT ALL THE MORE IMPORTANT THAT WE RECEIVE THE FULL LEVEL OF FUNDING FOR DEVELOPMENT LOANS WHICH SERVE AS AN ALTERNATE SOURCE OF FUNDING.

B. JORDAN: WE REQUESTED \$65 MILLION. OMB GRANTED \$45 MILLION. WE BELIEVE THIS \$20 MILLION CUT TO BE PERILOUS. THE U.S. IS THE RESIDUAL DONOR IN JORDAN, AND MUST THEREFORE BE PREPARED TO MEET SHORTFALLS IN TOTAL FUNDING. WHILE ARGUMENTS CAN BE MADE FOR GREATER FRUGALITY IN JORDAN, WE DO NOT BELIEVE THAT THE POLITICAL CLIMATE IS RIGHT FOR SUCH ARGUMENTATION OR FOR A BUDGET LEVEL WHICH MAY BE MISREAD AS AN UNWILLINGNESS ON OUR PART TO ADEQUATELY FUND JORDAN.

C. DISASTER RELIEF: OMB HAS COMPLETELY ELIMINATED THIS \$65 MILLION ITEM. THIS RELIEF WOULD THUS HAVE TO BE ABSORBED IN THE REGULAR ECONOMIC ASSISTANCE PROGRAMS. I BELIEVE IT ESSENTIAL TO RESTORE IT. FROM A CONFIDENTIAL

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DOMESTIC POLITICAL POINT OF VIEW IT IS IMPORTANT TO INDICATE U.S. HUMANITARIAN INTEREST IN THE AFRICAN SAHEL PROBLEM. IT IS ALSO IMPORTANT TO FUND THE NICARAGUAN EARTHQUAKE RECONSTRUCTION AS DISASTER RELIEF RATHER THAN AS A REGULAR PROGRAM WITH REGULAR JUSTIFICATION. NEITHER PROGRAM QUALIFIES UNDER NORMAL CRITERIA AND SHOULD NOT BE SO DEFENDED. THE REQUESTED \$65 MILLION SHOULD BE RESTORED.

D. DEVELOPMENT LOANS: THE OMB BUDGET MARK IS \$152 MILLION LESS THAN THE AID REQUEST WHICH YOU DESCRIBED IN YOUR NOV 5 LETTER TO ROY ASH AS ESSENTIAL

TO ARREST THE DOWNWARD TREND IN OUR DEVELOPMENT

ASSISTANCE. THIS CUT IS PARTICULARLY DEEP WHEN WE RECALL THAT THIS IS THE FUNDING CATEGORY TO WHICH WE MUST LOOK FOR ADDITIONAL FUNDS FOR INDOCHINA, CHILE, MOROCCO,

ETC. SHOULD SUCH FUNDS BE NEEDED.

4. THESE ARE THE ESSENTIAL BROAD POINTS. AS ALWAYS HAPPENS IN BUDGET ADJUSTMENTS THERE ARE MANY MINOR SHIFTS AND ADJUSTMENTS IN ACTUAL REQUESTS.

5. TACTICALLY, SUCH A LOW LEVEL BUDGET AS OMB RECOMMENDS IS NO MORE IMMUNE FROM CUTS THAN A MORE SUBSTANTIAL REQUEST. SIGNIFICANT CUTS FROM SUCH A LOW LEVEL COULD BE VERY DAMAGING.

6. ONE ADDITIONAL ITEM IS DESERVING OF NOTE. OMB HAS STRICKEN THE \$50 MILLION WHICH YOU REQUESTED IN SUPPORTING ASSISTANCE FOR ISRAEL. IN VIEW OF THE UNCERTAINTIES OF ISRAELI REQUIREMENTS AND THE PENDING LEGISLATION TO FUND THEM, I BELIEVE THAT THE OMB SUGGESTION SHOULD BE ACCEPTED.

7. I HAVE DISCUSSED THE ABOVE AT LENGTH WITH DAN PARKER. HE CONCURS IN THE VIEWS EXPRESSED AS WELL AS MY SUGGESTION THAT YOU URGENTLY CABLE ROY ASH ALONG THE FOLLOWING LINES TO PRECLUDE AN UNFAVORABLE OMB DECISION ON THE OMB BUDGET MARK WHICH MAY BE FINALIZED ON CONFIDENTIAL

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WEDNESDAY DECEMBER 19.

8. DRAFT CABLE FROM THE SECRETARY TO OMB DIRECTOR ASH:

9. QUOTE I HAVE BEEN INFORMED THAT OMB HAS COMPLETED ITS DELIBERATIONS ON THE 1975 BUDGET FOR FOREIGN ECONOMIC ASSISTANCE AND HAS MADE SUBSTANTIAL CUTS IN DEVELOPMENT ASSISTANCE AND SECURITY SUPPORTING ASSISTANCE PROGRAMS.

10. SUPPORTING ASSISTANCE: I BELIEVE A RESTORATION OF THE FULL \$65 MILLION FOR JORDAN TO BE ESSENTIAL. WHILE RECOGNIZING THESE PRELIMINARY FIGURES ARE SUBJECT TO ADJUSTMENT, U.S. INTERESTS REQUIRE THAT JORDAN RECEIVE POSITIVE SIGNALS OF ADEQUATE U.S. SUPPORT.

11. DEVELOPMENT ASSISTANCE: THE OMB MARK IS \$239 MILLION LESS THAN AID'S REQUEST OF \$1,637 MILLION AND SOME \$330 MILLION LESS IN TOTAL EFFECT WHEN ACCOUNT IS TAKEN OF CHANGES PROPOSED BY OMB AMONG VARIOUS ACCOUNTS. THE OMB MARK FOR DEVELOPMENT ASSISTANCE IS THUS LOWER THAN

THE FY 1974 REQUEST AND WOULD BE LOWEST DEVELOPMENT ASSISTANCE REQUEST SINCE INCEPTION FOREIGN AID PROGRAMS.

12. AS I STATED IN MY LETTERS TO YOU, I BELIEVE IT IS IMPERATIVE TO ARREST CURRENT DOWNWARD TREND IN U.S. BILATERAL ASSISTANCE WHICH SUPPORTIVE OF OUR INTERNATIONAL POLITICAL AND ECONOMIC INTERESTS. I AM PARTICULARLY CONCERNED THAT WE HAVE SUFFICIENT FUNDING IN FY 1975 TO MEET ESSENTIAL ON-GOING AND NEW COMMITMENTS IDENTIFIED IN AID'S BUDGET AND TO BUILD UPON RECENT CONSTRUCTIVE INTERESTS SHOWN BY CONGRESS IN OUR FOREIGN AID PROGRAMS.

13. I WISH TO RESTATE MY STRONG SUPPORT OF THE ORIGINAL AID BUDGET SUBMISSION, EXCLUDING THE REQUEST OF \$50 MILLION FOR ISRAEL FOR WHICH AMPLE PROVISIONS HAVE BEEN MADE IN OTHER LEGISLATION. SPECIFICALLY, I BELIEVE THAT \$1,637 FOR DEVELOPMENT ASSISTANCE, \$723 FOR INDOCHINA RECONSTRUCTION, AND \$97 MILLION FOR SUPPORTING ASSISTANCE
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ARE NECESSARY FUNDING LEVELS.

14. I HAVE ACCORDINGLY DIRECTED THE DEPARTMENT OF STATE AND AID TO SUBMIT A RECLAMA OF THE OMB BUDGET MARK. I STRONGLY URGE THAT YOU REVIEW IT IN LIGHT OF MY PREVIOUS ASSURANCES, WHICH ARE AGAIN TENDERED HERE, OF OUR NEED FOR THESE FUNDS TO ALLOW FOR AN ADEQUATE CONDUCT OF OUR ASSISTANCE PROGRAMS. END QUOTE. RUSH

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